

# NIBC MATERIALITY ASSESSMENT

# 2021 Materiality Assessment

## Introduction

NIBC believes transparency facilitates trust between an organisation and its stakeholders. The materiality assessment process helps us understand which financial and non-financial aspects our stakeholders find most relevant and material. Our Annual Report provides an overview of the themes we have identified as most relevant to us as a company and to our stakeholders and these are linked to performance indicators and/or qualitative statements within our reporting.

NIBC recognises its responsibilities towards stakeholders, regularly engages with them and considers their interests in its day-to-day decisions and activities. Engaging with stakeholders in a proactive way and on a continuous basis is central to our strategy and purpose of making a difference at decisive moments for our clients.

We define stakeholders as any group or individual affected directly or indirectly by our activities. We have identified our main stakeholders to include clients, institutional investors, shareholders, regulators, employees and civil society organisations. We actively seek these connections to the world around us to ensure we reflect on our business, understand our impact and to continue to innovate .

Our engagement with these groups takes place via different channels that range from ongoing dialogue to direct requests for feedback. To ensure our long-term success, we acknowledge the need to strike a careful balance between the interests of all our stakeholders.

The views of NIBC's stakeholders are continuing to evolve, influenced by developments in the world around us. There is a rising expectation that financial and non-financial aspects should be in balance. At the same time, our stakeholders expect NIBC first and foremost to be a financially healthy company with strong risk management which protects the integrity of the financial system. They also expect that we promote a Paris-aligned transition to zero emissions, respect human rights, prevent corruption, and ensure good governance in our financings and investments and in our own operations. These expectations have brought sustainability to the center of NIBC's business strategy.

This document gives an overview of NIBC's materiality assessment process and the outcomes. It describes how we identified our sustainability context and relevant topics and (ii) determined the most material themes and aspects.

## Transparency & Disclosures

In addition to our Annual Report, we publish a number of additional disclosures:

- **Pillar 3:** NIBC's capital adequacy and risk management report contains information that enables an assessment of the risk profile and capital adequacy of NIBC Holding N.V.
- **NACE Supplement:** NIBC discloses our financing activities by NACE sector in accordance with our commitments as a member of the NVB (Dutch Banking Association).
- **Global Reporting Initiative (GRI):** NIBC has applied the GRI Standards guidelines core option to its 2021 Annual Report. This report provides transparent and comparable information and links to where important environmental, human rights, and governance topics are mentioned in our annual report and other disclosures.
- **UN Global Compact:** NIBC is a signatory of the UN Global Compact. Each year we provide an updated commitment on progress (COP) reaffirming our commitment to the ten principles and a

description of our progress. This UNGC COP also serves as NIBC's Sustainable Development Goal (SDG) report.

- **Modern Slavery Statement:** This statement provides an update in regard to NIBC's efforts to support good corporate practices and end human rights abuses in supply chains.
- **Sustainability Report:** This report provides a comprehensive overview of NIBC's progress in regard to sustainability and further detailed figures on sustainability aspects.
- **TCFD Report:** NIBC publishes an annual TCFD report to provide interested stakeholders with further insights into climate-related risks.

NIBC is committed to be fully transparent towards its stakeholders and to focus its resources toward those reports and disclosures which are most relevant to our stakeholders for our business.

## Determining Relevant Themes and Aspects

We engaged with our stakeholders to verify the focus of our sustainability strategy and materiality in reporting. This materiality assessment process and the outcomes are described here and form the basis for disclosures provided in our Annual Report.

For our 2021 reporting process, we have determined materiality based on topics raised in regular dialogues with stakeholders and guided by the *SASB Materiality Framework* maps. We utilised the maps for commercial banks and mortgage providers since these are the most appropriate relative to our operational context.

Stakeholder consultation confirmed the four most important aspects for stakeholders were climate resilience, business ethics, regulatory change & compliance, and data security. Given their importance to stakeholders, NIBC will focus on in these areas while continuing to prioritize our efforts across the other aspects which stakeholders found to be most material. Financial performance is also considered material, as it is a pre-condition for NIBC to execute our sustainability strategy.

Similar to 2020 but unlike prior years, most meetings with stakeholders were virtual due to the pandemic. To bring their inputs together, internal stakeholder representatives responsible for engagements with individual stakeholders were surveyed to collect topics discussed and their relevance. We also used other external inputs that we received such as research surveys, NGO reports, and social media mentions. We carefully weighed all of the sources to determine the material themes for 2021.

Based on these inputs, material topic were compiled and ranked on a scale of 1 to 10 (1 = least important; 10 = most important).

## What is Material ?

NIBC adhered to the updated definition of material impact clarified in the *GRI Standards*: the effect NIBC has on the economy, the environment, human rights and/or society, which in turn can indicate its contribution (positive or negative) to sustainable development. In this assessment, we focused on ESG aspects, recognising that financial performance is a pre-condition for our ability to influence any of these topics.

NIBC did this from two perspectives:

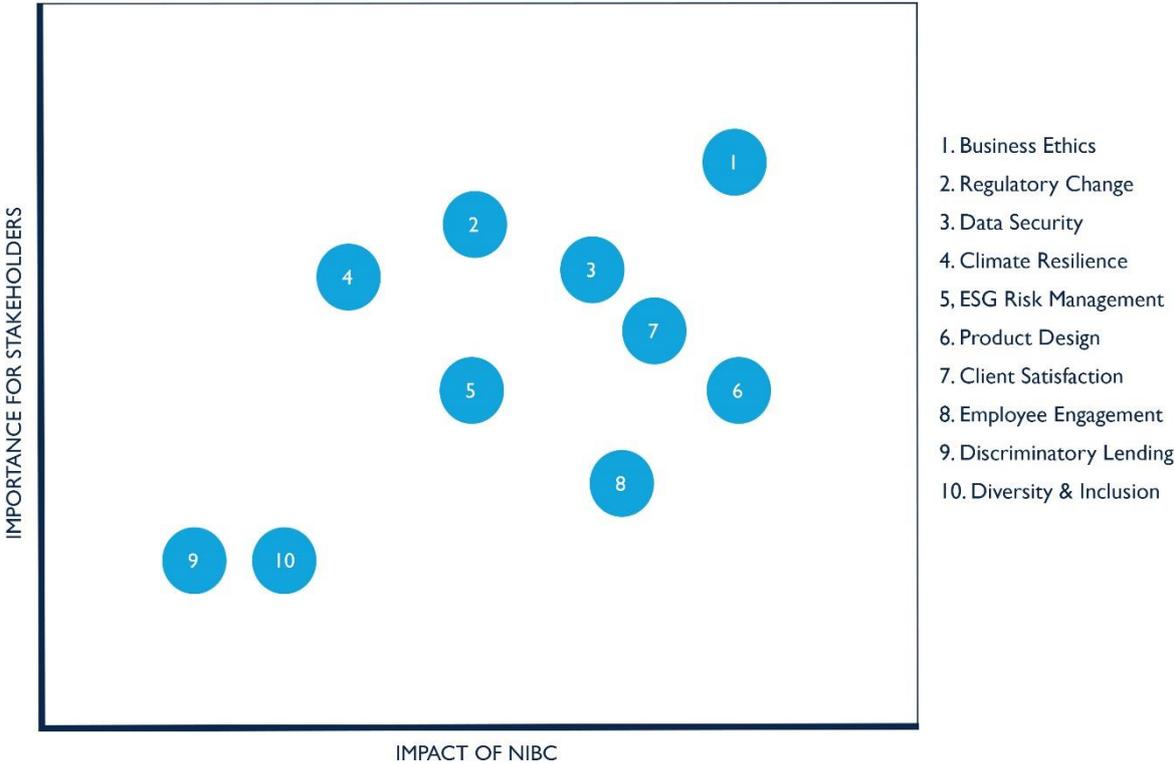
1. Based on the importance to our stakeholders; and,
2. Based on the impact and influence of NIBC.

## Assessment Outcome

The materiality matrix (below) provides a visual summary of aspects by importance to stakeholders and the impact that NIBC has on each aspect.

We use stakeholder discussions as an opportunity to ask for more specific feedback in regard to diverse issues across the ESG spectrum. This helps us to identify and act on any unintended blind spots, borrow lessons learned and best practices in these areas from others and also to share our own experiences.

Stakeholders were also invited to add material topics of their own. The location of each topic within the graph represents the result of this process.



It is important to understand that this matrix does not reflect all the issues that NIBC gives attention to but rather the issues our stakeholders view as most important to them.

Our Annual Report describes our value creation model and those aspects which contribution to value creation. This disclosure also has a section on non-financial performance and the ESG risks, impacts and opportunities we have encountered. These disclosures are supported by robust risk management, compliance and sustainability frameworks operating within our three line of defense risk model.

## Comparison with 2020 Assessment

A significant change by comparison to 2020 is that NIBC utilized the SASB Materiality Framework to guide our assessment topics. We used the main topical areas applicable to commercial banks and mortgage providers. This created a different starting point than in prior years for discussion with stakeholder representatives. We also grouped SASB topics where this seemed appropriate. For example business ethics, integrity and corporate culture are grouped together as business ethics. Physical climate risks, traditional climate risk and emissions were often discussed together and therefore are grouped into one topical group “climate resilience”.

Covid-19 continued to play a key role in our engagements with stakeholders. Similar to 2020 most stakeholder engagements during 2021 were virtual. In normal circumstances we would prefer additional in-person dialogue, but it was the practical reality due to the pandemic.

This virtual dialogue likely also influenced views on certain topics. For example business ethics, conduct and a safe workplace culture were raised more prominently than in past years. These are a key factor in terms of trust and our license to operate and also encompass what NIBC employees expect of each other. This was a point of emphasis within NIBC during 2021. Renewed expectations for all staff were communicated by our CEO, setting a clear tone from the top.

## Material Themes and boundaries

There are nuances in the results of our materiality assessment. When the results were compiled the most material aspect for stakeholders was business ethics. Though none rated it as the most material aspect, all stakeholder groups rated it as the 2<sup>nd</sup> most important aspect. Integrity, corporate culture, and ethics are perhaps the most important considerations for NIBC’s license to operate. It’s important to our stakeholders that we live up to our policies and public expectations. With requirements increasing for ESG-related disclosures, avoiding greenwashing was a point of emphasis.

Although not considered a non-financial aspect for the purposes of our materiality matrix, financial performance is of high importance to our stakeholders. The financial landscape is changing rapidly, influenced by expectations of rising interest rates, rising inflation, disruptive energy prices and increasing regulatory scrutiny.

The boundaries for reporting, particularly within an EU context are broadening. “Double materiality” has emerged as an important concept, though with some differences in views as to its definition and boundary. Within this construct, NIBC reports across a range of material topics in the form of both qualitative and quantitative key performance indicators (KPIs). Qualitative KPIs are described rather than numeric and usually in the form of a characteristic or outcome of a process or business decision. Quantitative KPIs are numeric and either positioned in a table or included within the report narrative.

NIBC publishes several topical indexes which intersect with the themes mentioned in this materiality analysis. This includes a GRI Content Index, a UN Global Compact Index, a TCFD Index, and a UN Principles for Responsible Banking Index. An index for the EU Non Financial Reporting Directive is directly published within our Annual Reports.

For interested readers, we have also indexed content in the NIBC Holding Annual Report related to the six most material themes below.

Theme	Quantitative and Qualitative KPIs, location in Annual Report
Business Ethics <ul style="list-style-type: none"> <li>• Integrity</li> <li>• Corporate Culture</li> <li>• Behaviour</li> <li>• Anti-corruption</li> <li>• Anti-Money Laundering</li> <li>• Whistleblowing</li> <li>• Complaints Processes</li> </ul>	<p><b>Quantitative KPIs:</b></p> <ul style="list-style-type: none"> <li>• Fines or sanctions for non-compliance with laws &amp; regulations, 2021: 0 (2020: 0) , p14, 42</li> <li>• % of new corporate loans screened against sustainability policy, 2021: 100% (2021: 100%), p14, 42</li> </ul> <p><b>Qualitative KPIs:</b></p> <ul style="list-style-type: none"> <li>• In Control Report, p117</li> <li>• Anti-corruption, p49</li> <li>• Supply chain &amp; Business Partners, p55</li> <li>• Conformity with the Code of Conduct on Mortgage Credits of the Dutch Bankers Association, p63</li> <li>• Banking on Trust, p89</li> </ul> <p><b>Descriptions:</b></p> <ul style="list-style-type: none"> <li>• pages 14, 22, 46, 49, 53-54, 63, 89, 117</li> </ul>

<p>Regulatory Change</p> <ul style="list-style-type: none"> <li>• ESG Regulation</li> <li>• Compliance</li> </ul>	<p><b>Quantitative KPIs</b></p> <ul style="list-style-type: none"> <li>• Fines or sanctions for non-compliance with laws &amp; regulations, 2021: 0 (2020: 0) , p14, 42</li> <li>• % of new corporate loans screened against sustainability policy, 2021: 100% (2021: 100%), p14, 42</li> <li>• EU Taxonomy Mandatory &amp; Voluntary tables, p43</li> </ul> <p><b>Qualitative KPIs</b></p> <ul style="list-style-type: none"> <li>• In Control Report, p117</li> <li>• EU Taxonomy process description, p43-44</li> <li>• Tax, p55</li> <li>• CRR/CRD, p65</li> <li>• BRRD 2, p88</li> <li>• Default &amp; forbearance, p95</li> <li>• Remuneration, p111, 113-115</li> <li>• IFRS 13, p142</li> </ul> <p><b>Descriptions:</b> pages 15, 21, 26, 29, 44, 46, 49, 55, 59, 65, 88, 95, 96, 102, 111, 113, 114, 115, 117</p>
<p>Data Security</p> <ul style="list-style-type: none"> <li>• Data Privacy</li> <li>• Information Security</li> <li>• Cybersecurity</li> </ul>	<p><b>Quantitative KPIs</b></p> <ul style="list-style-type: none"> <li>• Information security incidents, 2021: 45 incidents, no material impact for NIBC or clients; p55</li> <li>• Information security &amp; data privacy training, 2021: 100% of employees (2020: 100%), p55</li> </ul> <p><b>Qualitative KPIs</b></p> <ul style="list-style-type: none"> <li>• Review of strategic business partners, suppliers &amp; vendors, p55</li> </ul> <p><b>Descriptions:</b> pages 49-50, 55, 89, 103-104</p>
<p>Climate Resilience</p> <ul style="list-style-type: none"> <li>• Net zero commitment</li> <li>• Emissions</li> <li>• Energy Efficiency</li> <li>• Climate Risks</li> <li>• Climate Transition</li> <li>• Climate Adaptation</li> </ul>	<p><b>Quantitative KPIs</b></p> <ul style="list-style-type: none"> <li>• % of new corporate loans screened against sustainability policy, 2021: 100% (2021: 100%), p14, 42</li> <li>• Scope 1, 2 &amp; 3 Emissions, p42</li> <li>• Emissions Intensity, p42</li> <li>• Resource Consumption, p42</li> <li>• Retail &amp; Commercial Real Estate exposures by energy label, p52-53</li> </ul> <p><b>Qualitative KPIs</b></p> <ul style="list-style-type: none"> <li>• Carbon Neutral own operations, p53</li> <li>• Review of strategic business partners, suppliers &amp; vendors, p55</li> </ul> <p><b>Descriptions:</b> pages 16,44-45, 48-49, 51-56</p>
<p>ESG Risk Management</p> <ul style="list-style-type: none"> <li>• Human rights, labor &amp; social risks</li> <li>• Climate, biodiversity &amp; environmental risks</li> <li>• Governance risks</li> <li>• ESG Risk Awareness</li> </ul>	<p><b>Quantitative KPIs</b></p> <ul style="list-style-type: none"> <li>• Fines or sanctions for non-compliance with laws &amp; regulations, 2021: 0 (2020: 0)</li> <li>• % of new corporate loans screened against sustainability policy, 2021: 100% (2020: 100%)</li> <li>• Number of new corporate clients with increased sustainability risk assessment, 2021: 21 (2020: 14)</li> </ul> <p><b>Qualitative KPIs</b></p> <ul style="list-style-type: none"> <li>• Carbon Neutral own operations, p53</li> <li>• Review of strategic business partners, suppliers &amp; vendors, p55</li> </ul> <p><b>Descriptions:</b> pages 16,44-45, 48-49, 51-56, 102</p>
<p>Product Design</p> <ul style="list-style-type: none"> <li>• Product Responsibility</li> <li>• Product Differentiation</li> <li>• New products</li> <li>• Reviews of existing products</li> <li>• Whistleblowing</li> </ul>	<p><b>Quantitative KPIs</b></p> <ul style="list-style-type: none"> <li>• NIBC Direct customer survey score – Mortgages, p14, 42</li> <li>• NIBC Direct customer survey score – Savings, p14, 42</li> <li>• NPS score corporate lending clients, p14, 42</li> </ul> <p><b>Descriptions:</b> pages 21-22, 23-24, 49, 51, 53, 312</p>

- Complaints processes

Climate resilience is continuing to grow in importance to our stakeholders as the impacts of climate change have become more visible. External stakeholders and NIBC employees alike signaled their concerns about climate change and its impacts. Numerous meetings, forums and roundtables were held to share best practices, discuss progress and to share views on regulatory proposals. During 2021 NIBC revised its business strategy. As part of the announced changes, NIBC announced a discontinuation of offshore fossil energy activities and updated our sustainability policies to exclude new financings of fossil fuels. Many stakeholders view this as the most substantive step a financial institution can take in regard to limiting future climate impacts particularly if the institution is committed to net zero and actions to achieve the Paris Agreement.

Stakeholders also focused on the broad theme of business ethics, including integrity, corporate culture and behaviour. It was clear that external stakeholders view business ethics as part of our license to operate. And within NIBC, our employees felt the same way. These aspects were emphasized in the tone from the top of NIBC and were equally expected from the bottom of our organization towards senior management. During 2021, no material fines or sanctions were imposed on NIBC by authorities, an indication that integrity is high, but also that we need to remain vigilant.

Regulatory change was a theme that rose in significance, in part due to the increased pace of ESG regulation and expectations. The EU Green taxonomy, the Sustainable Finance Disclosure Regulation (SFDR), and the upcoming Corporate Sustainability Reporting Directive (CSRD) were most prominently discussed. Supply Chain Due Diligence requirements for corporates will likely also become more prominent in future years. The changes are already visible in NIBC's own disclosures – In our Annual Report, and on our website.

Information security and data privacy remained important to stakeholders particularly given the remote working requirements of the pandemic. Our stakeholders have high awareness of data protection regulations such as GDPR. Statements on NIBC's website provide clarity to our customers. Within the Sustainability chapter of our Annual Report, we report on our efforts to manage these risks and the results.

Although these four were the most prominent non-financial themes, other aspects of ESG continue to be important. Diversity & inclusion is a theme which is regularly discussed with employees and with civil society organisations. More progress is needed, but good progress was achieved during 2021. Employee engagement was strong during 2021 and shown both in low absenteeism rates, but also in strong engagement figures.

## NIBC's Stakeholders

NIBC consults with a broad range of stakeholders on a continuous basis. This helps to deepen our understanding of their evolving expectations and concerns and allows us to communicate with them on how we are responding to their priorities and concerns. Stakeholder engagement takes place in different forms, from regular and ongoing dialogues to direct feedback requests and specific consultation sessions.

Throughout 2021, there have been regular interactions with a broad range of stakeholders. Examples of these engagements included:

Stakeholder Group	Type of dialogue/channel	Main aspects discussed
Retail & Corporate Customers	Surveys Deal origination Client meetings Call center	Financial solutions Climate resilience Client satisfaction Sustainable Development Goals

		KYC & AML
Investors	Annual General Meeting Capital Markets Days Investor Updates	Financial performance Business strategy Climate Resilience Sustainability Performance Economic outlook
Suppliers & Vendors	RFPs Supplier reviews Meetings	ESG due diligence Policies and standards Transparency Data security Supply chains
Authorities	Meetings Consultations Sectoral for a Reports	EU Green Taxonomy Data Security Compliance with laws and Regulations Climate resilience KYC & AML
Civil society organisations	Individual Meetings Multistakeholder dialogues Annual General Meeting Informal discussions	Fossil fuel exposures Climate risk Human Rights Diversity & Inclusion Due diligence
Employees	Team & individual meetings Works Council meetings Events	Diversity Sustainability & ESG Ethics & Integrity Data Security Climate resilience
Peer Banks	NVB meetings, working groups and expert pools Multistakeholder dialogues	Human rights Climate resilience Data security ESG best practices & lessons learned

Dialogue with authorities included the many regulatory developments and oversight expectations. For example, as it has for several years, NIBC provided a detailed climate risk analysis as part of its reporting toward the Dutch Central Bank (DNB). NIBC was represented at numerous climate risk dialogues with regulators and other supervising authorities. Feedback from authorities has helped to inform public disclosures such as NIBC's TCFD Report, while feedback from NIBC has contributed to best practices shared by authorities.

Dialogue with civil society organizations was frequent throughout 2021 despite the pandemic. Climate change, human rights and due diligence were at the forefront of discussions with civil society organisations. The dramatic impacts of the Covid-19 pandemic on people, their debt burden and strengthening systemic support were discussed with several stakeholder groups. We hope to get back to face-to-face meetings later in 2022 and beyond as informal dialogue often adds needed clarity in the case of complex human rights and environmental topics.

## Saliency and Human Rights

NIBC supports the UN Guiding Principles on Business and Human Rights (UNGPs) and the responsibility of businesses to also consider salient aspects relative to their business and operations and provide disclosures on these aspects. NIBC reports these in our Annual Report, our Sustainability Report and in other statements and disclosures.

The main salient human rights risks for NIBC are labour conditions and worker safety in corporate client supply chains. NIBC manages these risks through stakeholder engagement, client and transaction due diligence and by raising awareness with corporate clients. Full transparency into supply chains is an ongoing challenge for mid-

market corporate businesses, since their capacity and influence are less than for large corporates and multinationals. NIBC therefore applies proportionality in accordance with the UNGPs and is guided by the balanced views of stakeholders in its own approach.

## Other Relevant Aspects

Our Annual Report contains information on themes and indicators that are most material to our stakeholders and to NIBC.

The topics that are not labelled material are not considered unimportant; these are considered basic conditions or 'hygiene factors' that stakeholders expect us to have in place but are not the most material ones relative to our financings or our business. As we still wish to show our stakeholders that these topics are indeed addressed, these are either reported in the Annual Report, in NIBC's GRI Standards Content Index, in our Sustainability Report and/or in other statements, disclosures and policies.